

State of Missouri Department of Revenue



Handbook for Electronic Filers of Individual Income Tax Returns Tax Year 2003

TABLE OF CONTENTS

<u>PART</u>	<u>TOPIC</u>	<u>PAGE</u>
1	Calendar	1
2	Introduction	1
3	Publications	1
4	Federal/State Electronic Filing	2
	General Information	
	Program History	
	Who May Participate	
	How Federal/State Electronic Filing Works	
5	Acceptance Process	2
6	Filing an Electronic Return	2
	Composition of an Electronic Return	
	Electronic Portion of Return	
	Non-Electronic Portion of Return	
	Exclusions from Electronic Filing	
7	Transmitting the Missouri Electronic Return	3
	Acknowledgment of the Missouri Return	
	Non-receipt of Missouri Acknowledgment Record	
	Error Conditions	
	Resolution Process	
	Changes to Electronic Returns	
8	State Only Filing	4
9	Missouri Signature Information	5
10	Direct Deposit	5
11	Refund Delays	5
12	Payment of Balance Due Amounts	5
13	What Electronic Originators Must Provide to the Taxpayer	6
14	Responsibilities of Electronic Filers	6
15	Penalties	6
	Penalties for Disclosure or Use of Information	
	Penalties for Late Filing, Late Payment and Fraudulent Returns	
16	Advertising Standards	6
17	Monitoring and Suspension of an Electronic Filer	7
18	Common Errors to Avoid	7

PUBLISHED BY:

MISSOURI DEPARTMENT OF REVENUE
PO BOX 371
JEFFERSON CITY, MO 65105-0371
PHONE: (573) 522-4300 / 751-8150
FAX: (573) 526-5915
EMAIL: elecfile@dor.mo.gov



PART 1

MISSOURI ELECTRONIC FILING CALENDAR

For Tax Period January 1, 2003 to December 31, 2003

Begin Federal/State Software Testing
November 6, 2003

Federal/State Electronic Filing Operational
January 11, 2004

Begin Transmitting Returns to IRS/MODOR
January 11, 2004

End Federal/State Software Testing
August 30, 2004

Last Date to Transmit Missouri Returns Electronically
October 15, 2004

NOTE: These dates may be subject to change at any time.



PART 2

INTRODUCTION

The Missouri Department of Revenue (MODOR) joined with the Internal Revenue Service (IRS) in 1995 to offer electronic filing of federal and state individual income tax returns. The Federal/State Electronic Filing Program allows taxpayers to file both their federal and state returns electronically through their tax preparer. This program is an effort to provide a "one stop shop" for tax preparation and filing. The information contained herein explains the program including changes from last year. Taxpayers, tax practitioners and the MODOR all benefit from electronic filing.

This Handbook sets forth those items that are unique to the MODOR. Because most functions in the Federal/State Electronic Filing Program are the same, this handbook highlights the special features for Missouri.

This Handbook is to be used in conjunction with the IRS Publication 1345. All rules, regulations, and requirements governing tax preparers, transmitters, and originators of returns put forth by the IRS are used by the MODOR. Note that IRS Publication 1345, Federal/State Electronic Filing, identifies the IRS's procedures and requirements for Federal/State Electronic Filing.

Changes to the electronic filing program for tax year 2003 are as follows:

- 1) Added two new trust funds: Workers Memorial and General Revenue.

2. Changed Form MO-CR to allow two taxpayers per occurrence.
3. Removed self-employed health care deduction line from Record.



PART 3

INTERNAL REVENUE SERVICE PUBLICATIONS

Publication 1345 — *Handbook for Electronic Filers of Individual Income Tax Returns*

Publication 1346 — *Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns*

Publication 1436 — *Test Package for Electronic Filing of Individual Income Tax Returns*

Publication 1545 — *The Electronic Filing Logo Guidelines for Effective Use*

MISSOURI DEPARTMENT OF REVENUE PUBLICATIONS

Missouri Department of Revenue Electronic Return File Specifications and Record Layouts for Individual Income Tax Returns

Missouri Test Package for Electronic Filing of Individual Income Tax Returns



PART 4

FEDERAL/STATE ELECTRONIC FILING GENERAL INFORMATION

Electronic filing of refund, balance due or no balance due returns with some exceptions are accepted. Taxpayers may opt to have their refunds directly deposited into their bank accounts.

The MODOR uses the applicant database extract to automatically accept all Electronic Return Originators (ERO) into the state's electronic filing program and do not require any additional information from the ERO.

PROGRAM HISTORY

Electronic filing of individual income tax returns was offered on a statewide basis for the first time in 1995. See the



following table for returns filed for each year and approved software vendors participating.

<u>Year</u>	<u>Returns</u>	<u>Vendors</u>
1995	47,000	10
1996	146,000	15
1997	185,000	19
1998	254,000	20
1999	372,000	19
2000	553,000	18
2001	704,000	23
2002	867,000	23
2003	1,045,000	25

WHO MAY PARTICIPATE

Federal/State Electronic Filing for Missouri returns is available to all interested parties who have been accepted in the federal electronic filing program.

HOW FEDERAL/STATE ELECTRONIC FILING WORKS

Tax preparers and transmitters accepted in the IRS electronic filing program will be able to participate in Federal/State Electronic Filing. Both the federal return and the Missouri return may be filed in one transmission. The IRS will acknowledge to the transmitter the acceptance of the federal return and receipt of state data. The state data will then be made available for retrieval by the MODOR, where the data will be entered in the computer processing system.

The MODOR will send the transmitter an acknowledgment of receipt of the Missouri data through an electronic mailbox. The transmitter should receive the MODOR acknowledgment within three days from the time acknowledgment is received from the IRS. (See "Acknowledgement of the Missouri Return" on page 3.)



PART 5

ACCEPTANCE PROCESS

Once Federal acceptance testing is complete, software companies must pass Missouri testing. Both IRS and Missouri testing acceptance are needed for acceptance into the Federal/State Electronic Filing Program for filing Missouri returns. The MODOR is offering the Missouri test package to all software companies who wish to participate.

The MODOR will use the same EFIN, ETIN, PTIN, or SBIN assigned by the IRS for the Federal/State Electronic Filing Program.

Software developers are required to test with the MODOR prior to distribution of software. Use of untested software could cause Missouri returns to be rejected.

In addition to software developers, transmitters will be allowed to test with the MODOR to ensure they have the ability to retrieve the Missouri acknowledgment records.

State software testing will begin in early November, 2003 and will continue through August 2004.



PART 6

FILING AN ELECTRONIC RETURN

COMPOSITION OF AN ELECTRONIC RETURN

An electronic return consists of:

1. data transmitted electronically to MODOR, using the IRS as a conduit, and
2. paper documents that contain information that cannot be electronically transmitted.

ELECTRONIC PORTION OF RETURN

The following forms and schedules can be transmitted electronically and are considered the electronic portion of the return:

1. All federal individual income tax forms and schedules allowed by IRS Publication 1345.
2. Form MO-1040 — Missouri Individual Income Tax Return.
3. Form MO-A, Part 1, Missouri Itemized Deductions.
4. Form MO-A, Part 2, Missouri Modifications to Federal Adjusted Gross Income.
5. Form MO-A, Part 3, Pension Exemption.
6. Form MO-CR, Credit for Income Taxes Paid to Other States (two states per taxpayer).
7. Form MO-NRI, Missouri Income Percentage
8. Form MO-PTS, Property Tax Credit with Form MO-1040 attached
9. Form MO-CRP, Certification of Rent Paid
10. Real Estate or Property Tax Receipt

NOTE: Form MO-1040A, Form MO-1040B, Form MO-1040C, and Form MO-1040P can be filed electronically using the Form MO-1040 format.



NON-ELECTRONIC PORTION OF RETURN

The non-electronic portion of the return consists of the following:

1. If the taxpayer chooses not to have an IRS PIN Number assigned to them, a Form MO-8453 should be retained by the ERO. **Do not mail the Form MO-8453 to the Department of Revenue.**
2. Copies of Form W-2, W-2G, or 1099-R, which would normally be attached to a paper return.
3. Any other informational documents that the taxpayer includes with the return as supporting material.
4. Other state tax return(s) — Resident individuals claiming credit for taxes paid to another state. **NOTE:** Credit for two other state returns per taxpayer may be filed electronically.
5. Individuals that claim a subtraction for interest from exempt federal obligations (Form MO-A, Part 2, Line 4) must attach documentation supporting this adjustment.
6. Individuals that claim negative adjustments for Partnership, Fiduciary, S corporation, Railroad Retirement Benefits, etc. (Form MO-A, Part 1, Line 6) must attach a copy of the notification received.
7. Copies of Form MO-CRP, Certification of Rent Paid. Up to five (5) may be transmitted electronically.
8. Copies of Real Estate Tax Receipts which are issued by the county where the property is located.

This paper material must be retained by the ERO. **DO NOT MAIL.**

EXCLUSIONS FROM ELECTRONIC FILING

The following types of returns are excluded from electronic filing for tax year 2003 (2004 filing season):

1. All returns and schedules excluded by the IRS in Publication 1345.
2. Amended returns.
3. Form MO-1040 with Form MO-TC, Miscellaneous Credits.
4. Form MO-1040 with an Enterprise Zone income modification (Line 21).
5. Form MO-1040 with Recapture of Low Income Housing Credit (Form 8611)
6. Form MO-CR, Credit for Income Taxes Paid to Other States, with more than two states per taxpayer.
7. If a taxpayer files a Form MO-1040 with a filing status of Married Filing Combined, but wishes to file a Form MO-PTS separately, it is recommended that the taxpayer file using a paper form. This situation would

occur if the taxpayers were married but lived separately for the entire year. (Example: One spouse was confined to a nursing home or managed care facility.)



PART 7

TRANSMITTING THE MISSOURI ELECTRONIC RETURN

Missouri returns included in the Federal/State Electronic Filing Program will be transmitted to the IRS Service Center, along with the federal return. Transmissions shall be accomplished according to IRS procedures. All Missouri returns must include a corresponding federal return in the unformatted records.

Once the IRS has provided an acknowledgment to the ERO, the state data segment will be made available to MODOR for retrieval within 24 hours. MODOR will not receive any state data associated with a rejected federal return. **NOTE:** The IRS acknowledges only that it received the state data. The IRS acknowledgment is not an indication that the MODOR has “received” your state return. You must receive the MODOR acknowledgment to be assured your state return has been received. Contact MODOR if you receive federal acknowledgment, but no state acknowledgment.

ACKNOWLEDGMENT OF THE MISSOURI RETURN

The Missouri acknowledgment system is designed to inform transmitters that the Missouri return has been retrieved and the return is being processed by the MODOR.

Upon receipt of the Missouri return from the IRS, the MODOR will generate an acknowledgment record and post the record for retrieval by transmitters.

Program participants that are required to directly access the Centralized State Acknowledgment System (StAcK) to retrieve their state acknowledgments will be required to register. You should be aware that there will be a nominal fee charged by the service provider for use of the Centralized State Acknowledgement System.

If your software provider accesses this system on your behalf, you will not be required to register with Centralized State Acknowledgment System. You should refer to your software instructions for additional information regarding your responsibilities for accessing and retrieving state acknowledgments.

How to Register

You can call the Centralized State Acknowledgment System Help Desk at (828) 349-5750 to request an application. You may also register with the service provider through www.state-ack.net.



NON-RECEIPT OF MISSOURI ACKNOWLEDGMENT RECORD

If any of the following error conditions occur, please follow the resolution process indicated on the next page.

ERROR CONDITIONS

1. Missouri Acknowledgment Records are received for some but not all returns filed on a given date.
2. IRS Acknowledgment Records were received more than four work days ago and no Missouri Acknowledgment Records have been received.
3. A transmission day is skipped (i.e., received acknowledgment records for a Monday and a Wednesday but none for a Tuesday transmission).

In all instances, be sure you have received an IRS Acknowledgment Record before you contact the MODOR.

RESOLUTION PROCESS

To check on the status of a Missouri Acknowledgment Record, you must contact the MODOR, Tax Program Coordinator at (573) 522-4300 or (573) 751-1973. Have the Primary Social Security Number readily available when making the call. If the state portion of the return was not received following a federal transmission, you may have the option to file a state-only return. (Follow instructions in your software package for using this function.)

In some instances you may be required to file a paper return to correct problems and get the return processed as quickly as possible. If an electronic return is rejected on the federal level, it must be submitted on paper to the IRS. The state return must be submitted on paper to:

Missouri Department of Revenue
Missouri Electronic Filing
P.O. Box 371
Jefferson City, MO 65105-0371

The paper return should include:

1. a printout of the return (including a copy of the federal return and all supporting schedules),
2. Form MO-8453, if applicable.
3. copies of all Form W-2s, W-2Gs and 1099-Rs, and
4. a cover note giving the date the return was rejected, e.g., rejected 01/30/2003.

If the paper replacement return is not sent to this address, it cannot be guaranteed priority processing. If non-qualifying returns (e.g., amended returns) are filed electronically, the replacement returns will not be given priority by MODOR.

CHANGES TO ELECTRONIC RETURNS

After electronic returns are transmitted, they cannot be recalled or intercepted in process. If the electronic filer or

taxpayer wishes to change any entries after a return has been accepted, an amended return must be filed through the normal paper filing process. No action should be taken to change the computation between the date transmitted and the date MODOR acknowledges the return.



PART 8

STATE ONLY FILING

Changes to the electronic filing program for tax year 2003 are as follows:

- 1) Missouri will support filing of "state-only" returns through the Fed/State System. A state-only return would be produced through software to build a complete state packet with a "dummy" federal return. The dummy federal return would allow the data to pass through the Fed/State System. All W-2 and 1099 information would be included. The state-only filing can be sent either before or after a federal return is accepted. For Missouri filing, the following are possible conditions that would make a state-only filing necessary:
 - A. A federal return that was filed prior to release of state software.
 - B. Use of a different software package or preparer from state to federal.
 - C. Software or other errors, which would cause the state return to not be transmitted with the accepted federal return.
 - D. Part-year resident or nonresident state returns where the filer is required to file in more than one state.
 - E. State returns on which the taxpayer is not required to file a federal return. An example would be a taxpayer filing a Form MO-1040 with a Form MO-PTS attached in order to receive a Property Tax Credit.
- 2) The pharmaceutical tax credit has been removed from the state income tax return. A new prescription drug plan is being implemented through the Department of Health and Social Services. For more information refer to the web site missouriseniorx.com or call toll-free 866-556-9316.
- 3) Missouri will accept filing for deceased taxpayers if the return meets the IRS criteria.



PART 9

MISSOURI SIGNATURE INFORMATION

Missouri will accept the IRS PIN as the signature portion of the electronically filed return. The IRS will assign the PIN according to established criteria (IRS Publication 1345, Chapter 3), and the PIN will be transmitted in the state record. This PIN will replace the Form MO-8453.

Taxpayers who choose to not use the IRS PIN may sign the Form MO-8453 and retain for their records. **Do NOT mail to the Department of Revenue!!**



PART 10

DIRECT DEPOSIT

Direct deposit is a popular method for distribution of taxpayer refunds. The taxpayer can request for their refund to be directly deposited into their savings or checking account. Issuance of direct deposits is done daily with an average three days to deposit. There are three main reasons why the Department would reject or cancel making direct deposit:

- If the taxpayer had a debt offset (debts which are owed to other government entities).
- The direct deposit information (routing and transit number and bank account number) was entered incorrectly.
- The amount of refund was adjusted by the Department of Revenue. Any adjustments made that change the refund amount are issued as a paper check.

It is important that you verify and re-verify the direct deposit information that is being entered. This is kept confidential and is not reviewed by the Department. The data is transmitted directly to the bank responsible for making the direct deposit. The Internal Revenue Service suggests that you request a copy of the taxpayer's deposit slip or check stub prior to electronic filing of the return and keep it with the taxpayer's file.

Missouri cannot control direct deposits that are rejected by the bank due to incorrect direct deposit information entered. If you believe the following conditions exist:

- The entry of direct deposit information (routing and transit and bank account) is incorrect.
- The Department of Revenue reports that the deposit was made but the taxpayer's account does not show the transaction.

The Department of Revenue has a section devoted to returned items and direct deposit. Please call (573) 751-5862 regarding returned or rejected items. This number should also be used when refund checks are mailed to an incorrect or invalid address.



PART 11

REFUND DELAYS

It is anticipated that refunds from Missouri returns filed in the Federal/State Electronic Filing Program will be issued in approximately three days. However, the following conditions may delay refunds and/or change refund amounts from electronically filed returns:

1. The taxpayer owes delinquent Missouri taxes.
2. The taxpayer owes a debt to another agency of Missouri state government, such as the Division of Child Support Enforcement.
3. The estimated tax payments claimed on the return do not match the estimated tax payments recorded on the MODOR estimated tax file.
4. The refund amount is adjusted when the electronic return is processed.

If individuals need to contact the MODOR regarding their Missouri refund, they should be prepared to give their social security number, filing status and expected amount of refund. These taxpayers should contact the MODOR at (573) 751-3505 or log on at www.dor.mo.gov/tax.



PART 12

PAYMENT OF BALANCE DUE AMOUNTS

Two options are available to taxpayers for payment of balance due amounts:

1. Form MO-1040V may be prepared and used to make payment by April 15, 2004.
2. The department accepts Mastercard, Discover, Visa, and American Express. Call toll-free (888) 929-0513 or log on to the Internet at www.dor.mo.gov/tax. There will be a convenience fee charged to the taxpayer's account for processing.



The taxpayer is responsible for paying the amount due to the MODOR by April 15, 2004.

All payments should be mailed to:

Missouri Department of Revenue
Electronic Filing Office
P.O. Box 371
Jefferson City, MO 65105-0371



PART 13

WHAT ELECTRONIC RETURN ORIGINATORS MUST PROVIDE TO THE TAXPAYER

The ERO must furnish the taxpayer with documentation of all completed Missouri forms and schedules filed for the taxpayer. This documentation may be furnished on official Missouri forms, on copies of official forms or on ERO-designed forms that have data entries cross-referenced to the line numbers on the official forms. This material should be provided to taxpayers at the time they are assigned a PIN number or sign Form MO-8453.

The ERO must also provide the taxpayer with a copy of the following material filed with MODOR:

1. The completed Form MO-8453 if the taxpayer is a first time filer or chooses not to use the IRS PIN Number.
2. Other documents containing required signatures.
3. Any other documents which are not Missouri forms or schedules.

In addition, the ERO should advise the taxpayer to retain copies of the following materials:

1. Forms W-2, W-2G, or 1099-R.
2. Any other documents, which the taxpayer voluntarily includes with Form MO-8453 as supporting material.

Immediately upon learning that a return was not received by MODOR, the ERO should advise the taxpayer and offer the option of filing a state-only return or a paper return. If a paper return is filed, the taxpayer should allow up to six (6) weeks for any Missouri refund to be issued.

If an electronically filed return was acknowledged as accepted by MODOR, the ERO should advise the taxpayer to wait two (2) weeks from the acknowledgment date before making an inquiry about his/her refund. The taxpayer may call MODOR at (573) 751-3505 for information about his or her refund or check online at www.dor.mo.gov/tax. They should be prepared to give their social security number, filing status and expected amount of refund.

If you perceive that there may be a problem with issuance of a refund (i.e., debt offset), you can contact (573) 751-3505.



PART 14

RESPONSIBILITIES OF ELECTRONIC FILERS

Guidelines in IRS Publication 1345, must be followed for Missouri Electronic Filing.



PART 15

PENALTIES

PENALTIES FOR DISCLOSURE OR USE OF INFORMATION

Guidelines outlined in IRS Procedures should be followed as well as Missouri Statute 32.057, RSMo.

PENALTIES FOR LATE FILING, LATE PAYMENT, AND FRAUDULENT RETURNS

This provision provides due notice that all additions to tax, penalty, and criminal provisions applicable to paper filers are also applicable to electronic filers. Specifically, additions to tax for late filing and late payment will be assessed.

Penalties will be assessed against any person filing an incomplete or misleading return. Additionally, any person who willfully subscribes or presents a fraudulent return will be subject to prosecution and penalties. Other criminal provisions will be applicable to the extent that a person attempts to commit forgery and falsify signatures on any electronic filing form, check, or direct deposit form. Any attempt to pass bad checks for payment of taxes will be prosecuted.



PART 16

ADVERTISING STANDARDS

Guidelines in IRS Publication 1345, and IRS Procedures, must be followed for Missouri Federal/State Electronic Filing Program, as though references to IRS or service were refer-



ences to the MODOR, state of Missouri, or the state and references to the FMS or Treasury Seals were references to the state of Missouri seal.



PART 17

MONITORING AND SUSPENSION OF AN ELECTRONIC FILER

MODOR will monitor electronic filers for conformity with the provisions in this publication. Under the Electronic Filing Program, MODOR can recommend suspension of an electronic filer for due cause through the local IRS District Office Coordinator. Warning letters, suspension and rejection from electronic filing will be administered by the local IRS District Director.



PART 18

COMMON ERRORS TO AVOID

1. City/state does not match zip code.
2. High income modifications on new itemized deductions (local/city tax not used in modification or keyed on Form W-2).
3. Verification of subtraction (should use statements stating government bonds, etc.)
4. Name change. Use name the tax preparer has filed under previously.
5. Federal income tax withholding used as federal income tax deduction.
6. Incomplete Form MO-CRs were filed.
7. Incomplete Form MO-NRI information was transmitted with the return.
8. Taxpayers or practitioners unnecessarily mailing in the Form MO-8453.